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June 25, 1996

Arizona Corporation Commission
Docket Control
1200 West Washington
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

JUN 26 1996

DOCKETED BY

Re: Docket U-0000-94-165

Docket Control:

As per the ACC letter dated February 26, 1996, and the letter dated April 23, 1996, please find enclosed 11 copies of Sulphur Springs Valley Electric Cooperative's response for Docket U-0000-94-165.

Thank you for the opportunity to comment.

Sincerely,

Creden W. Huber
Executive Vice President and General Manager

CWH:cab



Corporation Commission
DOCKETED

JUN 26 1996

RECORDED BY

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

P.O. BOX 820 WILLCOX, AZ 85644

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COMMENTS ON 4
DOCKET NO. U-0000-97-165

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ATTACHMENT A

A1. Affected Utilities. Which utilities should open their markets to competition?

Arizona should proceed cautiously before entering in retail competition. Arizona has lower energy costs than some areas of the country. Any markets opened to competition should be on a voluntary basis. If a utility opens up there market they should compete with other utilities that have opened their markets. Cooperatives should be handled different from investor-owned utilities, because their customers are the owners. Cooperatives are governed and operated by their member owners and are self-regulated. In addition, cooperatives have a unique situation serving rural areas with predominately residential customers. Also, because of this, the few large loads Cooperatives do serve could be vulnerable to competition, and that would have a more adverse effects on the residential customers cost of power, then it would have with investor-owned utility customers. Also, due to the ownership commitment Cooperatives have in G&T's, the cost of power could be more adversely affected. The national interest set forth through REA (RUS) would be affected. Therefore, cooperatives should be removed from ACC regulation in a competitive environment.

If competition is mandated nation-wide, or state-wide all utilities, should be included. Out-of-state utilities should have to comply with all rules, regulations, and environmental controls as Arizona utilities comply with. Allowances need to be made for our mandated DSM programs, renewable energy programs, and our property taxes to level the playing field for out-of-state utilities..

Large power accounts stand to gain the most and will shift costs to the residential or small general service.

A2. Scope of Restructuring.

a. How much of the utilities' markets should be opened to competition?

If a voluntary pilot program is instituted, it should be limited to new Industrial customers with loads of 5000 kva or larger. This would be calculated load from the meter, not transformer capacity on site. With only new loads affected this would help economic development in Arizona.

b. Which consumers should be allowed to shop around for power and energy?

Customers meeting load criteria with contiguous load on one site, not multiple locations. So, a company like Wal-mart, K-Mart, Circle K, Banks, etc. could not contract for all their stores. Each individual store/location would have to meet the load criteria.

c. Should utility customers served under existing contracts be eligible to participate in the competitive market prior to expiration of the existing contracts?

No. If a utility has a contract with a customer, it should be honored. The voluntary pilot program should only be applied to new load that has no current investment.

d. If divestiture were undertaken, how should it be accomplished?

Their should be separate generation, transmission, and distribution segments. This could be down through separate business units as opposed to physical separation. Cooperatives already have segmented generation and distribution, but could also segment transmission facilities. IOU or municipals should have to separate generation, transmission, and distribution. Transmission would be segregated per FERC Rule 888.

A3. Term of Restructuring.

a. When should competition start?

With Rule 888 and 889 recently being promulgated competition should not start until the industry has had an opportunity incorporate these new rules. Wholesale power cost savings are expected to materialize from this rule. We should wait to see how effective wholesale wheeling is before we move into retail wheeling. We recommend that the ACC and the state of Arizona proceed cautiously. The residential customer and small user can be greatly impacted by the a utilities loss of a large load.

Utilities should have the opportunity to recover transition costs and stranded investment to maintain financial integrity, and position themselves to participate in this competitive market place. Competition could start after a transitional period which would allow for the recovery of stranded costs. This transitional period should last ten to fifteen years to allow for complete recovery of stranded investment and a level playing field.

Many states have refused to enter into retail wheeling. Their studies should be reviewed to see if it their situation applies to Arizona.

b. If competition is in the form of a pilot or phase-in, how long should the pilot or phases run? Please describe the phases of a phase-in. Please consider that many larger customers of utilities are currently under contract and may not be able to shop around until those contracts expire.

With wholesale wheeling recently becoming effective in the market place a voluntary pilot program would be premature. We should do an in-depth study of wholesale wheeling over the next few years.

First phase: Conduct a study wholesale wheeling - 1997-2000.

Second phase: Recovery of transition costs, write the rules, and begin a voluntary pilot program for new customers with loads of 5000 kva or larger - 2001-2010.

Third phase: Competition - 2010.

- c. If competition is in the form of a pilot, how can the term of the pilot be set so as to avoid discouraging long term contracts signed under the pilot?

Under the voluntary pilot program customers with loads meeting the criteria could not sign contracts with utilities for periods longer than five years. If the voluntary pilot program is discontinued then the contract would also be terminated. If the contract is terminated the current rules and regulations in effect would govern the next transaction.

A4. Services Available on a Competitive Basis. Which services should be available in a competitive market?

- Distributed energy services at market based rates (serving multiple consumers located in proximity, and not requiring transmission service from others); this is distinct from on-site self generation for just one consumer.

In the Voluntary Pilot Program it should only include customers that meet criteria as listed under Questions A2. a & b. Cooperative members have already aggregated their load with the formation of a member owned cooperative. Once competition is open to all customers this would not be an issue.

- Central station generation services at market based rates (generation serving one or more consumers located at a distance from consumers and requiring transmission service).

Yes, if they meet criteria listed in Questions A2. a & b.

- Other services described in Sections A5, A6, A7, and A8.

Distribution services should not be allowed on a competitive basis. Duplication of distribution plant is unnecessary and costly. Transmission service is addressed in Rule 888 and Rule 889. Imbalance service would be provided by the generator.

See A5, A6, A7 and A8.

- Other services (please describe).

A5. Necessary Services. Utilities and perhaps other parties will have to address the services listed below. Please indicate how these services should be offered, measured (metered), and priced on an unbundled basis.

- distribution service

The utility should have full control and ownership of its distribution system, up to and including 69 KV. Distribution service should not be competitive, society will not accept duplicated facilities.

- transmission service

Transmission service should be considered as lines with capacity above 69 KV. Addressed in Rule 888 and 889.

- supplemental generation service

A supplemental generation service would be based on individual contracts.

- imbalance service * (including accounting for losses)

- Addressed in Rule 888 and 889.*
- back-up (standby) service
Per negotiated contract.
 - voltage control
Part of the transmission and distribution providers responsibilities.
 - other ancillary services necessary for maintaining system reliability
Part of the transmission and distribution providers responsibilities.
 - scheduling of supplies and demands
Native load must have priority. As a Cooperative our first concern is our owner/members. If they require the full capacity of the distribution system retail wheelers may suffer. The generator would be responsible for scheduling.
 - repairs/consumer complaints
This would be the transmission and distribution providers responsibilities, with a universal fund to offset higher costs of serving rural areas. Energy/service related complaints would be the responsibility of the generator.
 - other necessary services -- please describe

A6. Market Center Services. The market may benefit from the services listed below. Please indicate how these services should be offered and priced.

These services would be performed per the Rule of 888 and 889 or by the generator if not specified by Rule 888 and 889.

- title transfer
- transaction confirmation
- establishing credit standards
- invoicing
- dispatching of transmission/generation
- exchanges/swaps
- interruption notification
- imbalance trades

(* imbalance service applies in cases where the consumer takes more or less power or energy than scheduled).

A7. Spot Market Services. The market may benefit from the services listed below. Please indicate how these services should be offered and priced.

Addressed within Rule 888 and 889.

- Electronic bulletin board for spot transactions/prices
- power pooling services
- coordination with futures / options markets

A8. Transmission Service. For a competitive market to work, utilities owning transmission facilities must provide transmission service. Please indicate how the following objectives would be met:

Addressed in Rule 888 and 889.

- services must be provided consistent with FERC tariffs.
- Utilities must accept power delivered to their transmission systems by other suppliers and offer wheeling services comparable to services they provide to themselves.
- All sellers supplying consumers must have interconnection agreements with owners of necessary transmission facilities.

A9. Recovery of Stranded Investment. Please indicate how the recovery (in any) of stranded investment should be accomplished. Address each of the following issues:

- a. The definition of stranded investment.

A stranded investment is an investment in facilities, equipment or other costs installed or created to meet a customer or regulatory requirement that would not have been built, purchased or incurred without that customers business, or federal or state regulation.

- b. The fraction of stranded investment which should be recovered.

The remaining life or amortization of the facilities, costs or equipment.

- c. How the Commission will determine the amount of stranded investment, taking into account: revenues under traditional tariffed rates (or existing special contracts); actual utility revenues from customers who obtain discounted rates or obtain service from others; increases in net revenues from wholesale sales and additional retail sales, including the effects of price elasticity of demand; increases in the value of assets due to new pricing or competition; mitigation of stranded investment; and other relevant factors.

Based on application of each utility per Commission review.

- d. Preliminary estimates of the magnitude of stranded investment.

No estimate.

- e. The proper rate making treatment of negative stranded investment.

A kWh surcharge or monthly fee to recover the investment.

- f. From whom stranded investment should be recovered.

It should be recovered through the customer who requested the investment and from the new power supplier.

- g. The mechanism for recovery of stranded investment.

Surcharges on wheeling collected from the new energy provider and/or the customer.

- h. The time period over which stranded investment is to be recovered

If the fully competitive environment each utility should have the opportunity to recover their stranded investment prior to moving into the competitive environment.

- i. How utilities can mitigate stranded investment.

By delaying the implementation until 2010 or later would allow for a natural cost recovery period.

A10. Recovery of Costs of Commission-Mandated Utility Low Income, DSM, Environmental, Renewables, and Nuclear Power Plant Decommissioning Programs ("Mandated Programs").

- a. How shall costs of mandated programs be recovered from participants in the competitive market?

DSM Programs should be funded by the state with a kWh surcharge for all energy suppliers in the market. In a truly competitive market the customers will drive the program.

- b. How shall the magnitude of the costs of mandated programs be determined?

In a competitive market the customer will determine the need for DSM and the magnitude of the program.

A11. Encouragement of Renewables.

- a. How shall renewables be encouraged in a competitive environment? Please discuss such mechanisms as a requirement that x percent of energy sold in the competitive market must come from solar resources.

In a competitive market the customer will determine the need for renewables and the magnitude of the program. If mandated, every energy supplier in Arizona could be required to have a percentage of their sales come from renewables.

- b. How could progress in encouraging renewables be measured?

If progress is being made the percentage of renewables in the generation mix should increase and the cost should decrease.

- c. How could a renewables program be enforced by the Commission?

Any utility wishing to compete in Arizona must meet the same standard for renewable resources as Arizona utilities.

A12. Pooling of Generation and Centralized Dispatch of Generation or Transmission.

- a. Should pooling of generation or centralized dispatch of generation or transmission be mandatory or voluntary?

Generation should be pooled on a volunteer basis only. Transmission would be handled per Rule 888.

- b. What technical requirements will be necessary to ensure reliable and efficient use of generation and transmission resources? Please propose specific requirements, if possible.

The competitive market would determine the reliability and efficiency of the generation and transmission systems.

A13. Non-Public Service Corporations. How shall non-public service corporations such as municipal utilities be involved in a competitive market? For example, the service territories of Arizona utilities not regulated by the Commission may not be open to competition and Arizona utilities not regulated by the Commission may not be able to compete for sales in the service territories of the utilities identified in Section A1. Alternatively, an Arizona utility not regulated by the Commission may voluntarily participate in a competitive program if it makes its service territory available to competing sellers and if it agrees to all of the requirements of the Commission's competitive program.

Competition must be reciprocal. If a utility chooses to compete, it must open up its customer to outside competition. If a municipal or a cooperative chose not to compete their certified territories would not be open to competition.

A14. Conditional for Returning to Utility Service After the Conclusion of a Pilot Program. If a pilot were adopted, please indicate what conditions are appropriate for returning to utility service after conclusion of the pilot.

If a voluntary pilot program is conducted and terminated the customer and utility would follow the rules and regulations in place at that time.

A15. Conditions for Returning to Utility Service. Please indicate what conditions (if any) are appropriate for returning to utility service if a competitive market is on-going.

No special conditions would be required.

A16. Administration Requirements.

- a. A utility may require consumers obtaining generation from another entity to adhere to reasonable scheduling notification requirements, accept reasonable delivery points, adhere to reasonable metering requirements, and accept reasonable remote control requirements for interruptions or other purposes. Please specify what you consider to reasonable.

The generator would be responsible for scheduling per Rule 888. The customer and the utility would negotiate the delivery point. The customer or generator would be responsible for all costs incurred for the delivery point and metering required with the host utility making the physical connection.

- b. How should the utilities identified in Section A1 notify their customers of the adoption of a competitive program by the Commission?

If it is a voluntary pilot program then the ACC should notify all customers that qualify. If the program is more wide scale the utility could be mandated by the ACC to notify all customers in a given month.

A17. Impacts on Other Utility Customers. Please indicate how adverse impact on rates or service quality for utility customers not participating in the competitive market could be minimized.

It inherently costs more to provide service in rural areas. A universal fund, funded by all electric consumers, should be setup to insure competitive energy costs in rural areas. The host utility in the rural area would receive a subsidy from a universal fund of all electric customers, which in turn reduce the cost to the rural consumers.

A18. Reporting Requirements for All Sellers of Electricity to End Users. Please indicate what reporting requirements (to the Commission) are appropriate and who should file reports.

All utilities conducting business in Arizona should have the same reporting requirements. They also should have to meet all operating requirements as required by the ACC for Arizona utilities.

A19. Certificates of Convenience and Necessity. Please comment on whether competitive sellers who supply electricity to an end user must obtain a Certificate of Convenience and Necessity from the Commission (unless the seller already has an applicable Certificate). Please describe whether any conditions on the certificate would be necessary.

In order to provide electrical service in an area a utility must have a Certificate of Convenience and Necessity. Any business enterprise must prove it has the resources to provide the service in any given area. All sellers of electrical energy must meet the same requirements as Arizona Utilities to be authorized to conduct business in Arizona.